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UNCLAS SECTION 01 OF 02 SINGAPORE 000308

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SUBJECT: OUTLOOK FOR PORT OF SINGAPORE FROM MARITIME AND PORT
AUTHORITY

REF: A.) 08 SINGAPORE 1325
B.) SINGAPORE 88
C.) 08 SINGAPORE 1248
D.) 08 SINGAPORE 1228

11. (SBU) SUMMARY: The economic downturn has caused container volumes to decline substantially in Singapore, but it has not had a comparable effect on vessel traffic and daily operations at the port, Maritime and Port Authority (MPA) officials told Emboffs March 131. There are no ships laid up in the port and vessel traffic is moving. Land reclamation plans to expand the port are on track, as are plans to build a new terminal to accommodate the largest passenger cruise liners by 2011. A safety and security study is underway for Singapore's liquefied natural gas (LNG) terminal, due to come online in 2012. MPA believes that the Straits of Singapore and Malacca can handle the additional volume and larger vessels that such projects will bring. Concerns about possible caps on vessel traffic in the Strait of Malacca and compulsory pilotage schemes have subsided. MPA remains focused on meeting and enforcing environmental standards even as the ambitious plans for Singapore's port unfold. End Summary.

Cargo Volumes Down but Vessel Traffic Steady

12. (SBU) Singapore exports and the volume of transshipped cargo through Singapore's massive port have dropped substantially in recent months (Ref A). However, overall vessel traffic and day-to-day operations at the port remain largely unaffected, Capt. LEE Cheng Wee, Deputy Director and Port Master at MPA, told Emboffs March 31. Contrary to some public reports, there are no ships laid up in the port, he said. (NOTE: Industry reports indicate that shipping companies have idled approximately ten percent of the global fleet of container ships. Contacts at local shipper Neptune Orient Lines (NOL) said several of their ships are laid up in Singapore, but the ships are at anchor in waters around Singapore and not technically "in the port." End note.) The tariff structure discourages ships from idling in the port over long periods, and most vessels remain in Singapore for no more than five to ten days, Lee added. The number of vessels calling on the port has not changed much because many are sailing with only 50 to 60 percent of their cargo capacity. MPA has instituted concessions on port dues and other fees to help shipping companies deal with the slow economy. Lee indicated that PSA, Singapore's largest port terminal operator, is also in discussions with shipping firms regarding its terminal fees.

Port Profits Halved but Future Port Expansion on Track

13. (SBU) PSA, which operates ports worldwide, just announced that

total container volume at its terminals in Singapore rose seven percent in 2008 to 29 million TEUs (twenty foot equivalent containers). However, PSA also announced that its profits fell 46 percent from S\$1.27 billion (US\$850 million) in 2007 to S\$686 million (US\$457 million) in 2008. In meetings with Econoffs last year, PSA outlined ambitious expansion plans for Singapore, which included two new phases of berth construction at the Pasir Panjang Terminal, and a near doubling of container volumes. Such plans are now on hold as a result of the financial crisis (Ref B), but Singapore is looking toward future economic recovery and does not want to fall behind other ports, such as Hong Kong, Lee said. Therefore, as PSA rides out the economic storm, MPA is continuing land reclamation projects at the port, which will be the foundation for PSA's future expansion at Pasir Panjang.

Adding Berths for Largest Passenger Cruise Liners

14. (SBU) Lee said that plans for a new International Cruise Terminal, designed to accommodate the largest passenger cruise liners, will also go forward, though its opening has been pushed back one year to 2011. MPA officials said that even after the new terminal opens, Singapore will continue to operate its existing Singapore Cruise Center, which reportedly handled more than 900 ships in 2008. The Singapore Tourism Board, which has the lead on the project, is building the terminal to provide a more welcoming docking location to larger cruise liners that currently have to berth at PSA's facilities, added Capt. Jolyn TAY, MPA Assistant Director for Marine Licensing and Prosecution. Neither Lee nor Tay anticipated that total numbers of cruise liners in Singapore and the Straits would increase dramatically once the new terminal is built as the new terminal will provide only two additional berths.

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LNG Terminal Still Set to Come Online in 2012

15. (SBU) MPA and other GOS agencies are working to address safety and security concerns associated with the opening of Singapore's liquefied natural gas (LNG) terminal in 2012. PowerGas Ltd., a subsidiary of sovereign wealth fund Temasek, will own and operate the terminal, which is expected to handle 3 million tons of gas per year (Ref C). LNG vessels already call in Singapore waters for bunkering services, though they do not berth at the port. Therefore, Lee did not predict a sharp increase in LNG vessels transiting the Straits and noted that Singapore will cap aggregate LNG volume in the port to three vessels every three days. The GOS safety and security study underway is looking at a range of potential risks such as fire, environmental damage, and terrorist threats, Lee said. MPA and other agencies will conduct trials and exercises to prepare for such threats, and Lee welcomed input from U.S. Coast Guard regarding U.S. studies on how to manage risks posed by LNG terminals.

Straits Have Capacity for Singapore's Port Projects

16. (SBU) Lee was sanguine about the effect Singapore's plans for the port might have on overall traffic through the Straits, even if economic recovery increases traffic at other nearby ports. In his view, the Straits can handle the LNG vessels, larger cruise liners, and additional volume that might follow aggressive port expansion. MPA confirmed that Malaysian officials have not pursued capping vessel traffic through the Strait of Malacca, since Malaysia's then Deputy Prime Minister Najib (now the Prime Minister) mentioned the possibility in October 2008 (Ref D). Singapore, Malaysia and Indonesia are working together through the Tripartite Technical Experts Group (TTEG) to set guidelines for vessel pilots who are part of pilotage schemes in the littoral states. Singapore's earlier concerns regarding Indonesia's plans to impose a pilotage program (Ref D) in the Straits seem to have subsided, though Singapore maintains its position that all pilotage programs must be voluntary. Lee said there are private companies in Singapore that offer pilotage services, so MPA would ensure that such enterprises adhere to any pilot guidelines established by the TTEG.

Environmental Concerns Still a Priority

17. (SBU) Environmental issues and enforcement of MARPOL requirements remain a priority for MPA. Lee stated that MPA's efforts are focused on precautionary measures to prevent environmental incidents, so MPA tracks vessel movements, monitors oil pollution, and works with private contractors that prepare environmental impact assessments before any major initiative can be undertaken at the port (e.g., land reclamation). MPA focuses on post-incident training as well, and will conduct a chemical spill exercise in April. Singapore, Malaysia and Indonesia are working to formalize protocols under the Cooperative Mechanism to develop an agreed contingency plan for chemical spills, Lee said. Protocols are already in place for managing oil spills.

SHIELDS